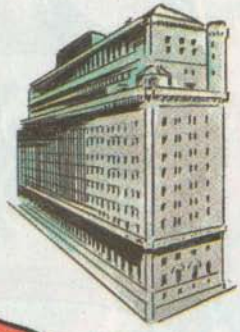
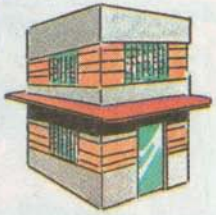
THE STORY OF BANKS

COMMERCIAL BANK



FEDERAL RESERVE BANK

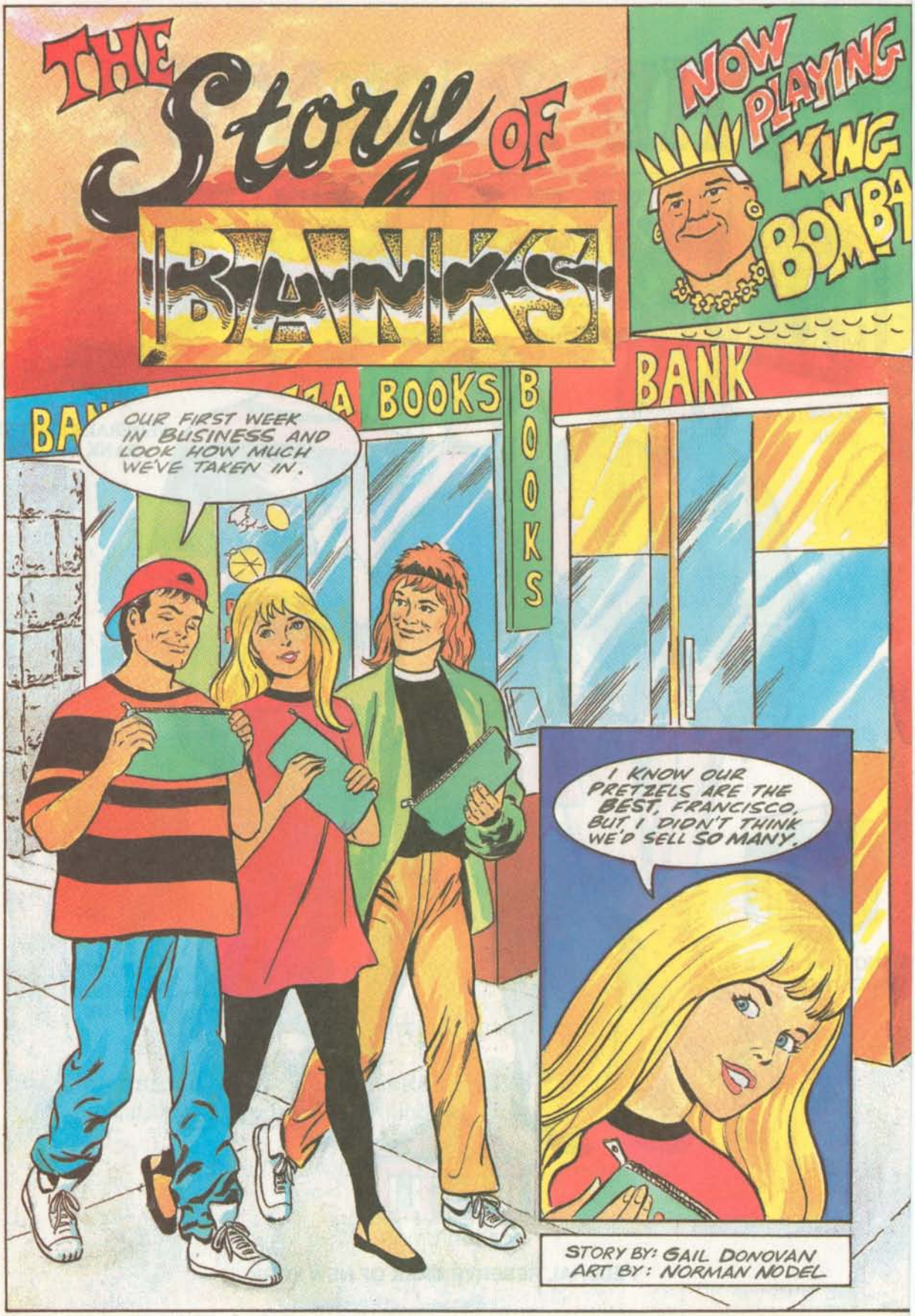
SAVINGS AND LOAN ASSOCIATION



MUTUAL SAVINGS BANK

CREDIT UNION

FEDERAL RESERVE BANK OF NEW YORK

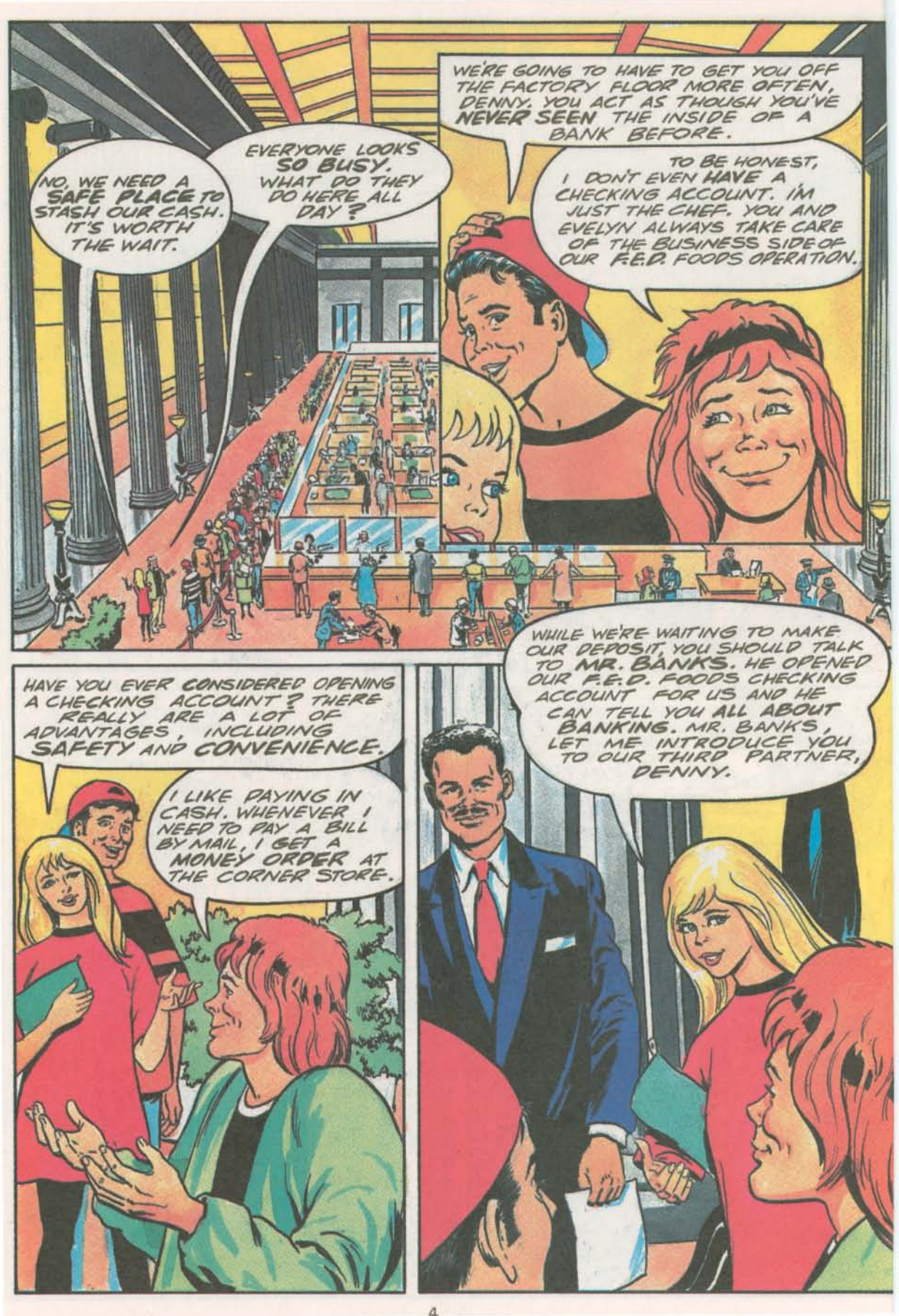

THE Story OF BANKS
NOW PLAYING KING BOMBA
BANK
BOOKS
BOOKS
BANK
OUR FIRST WEEK IN BUSINESS AND LOOK HOW MUCH WE'VE TAKEN IN.
I KNOW OUR PRETZELS ARE THE BEST, FRANCISCO, BUT I DIDN'T THINK WE'D SELL SO MANY.
STORY BY: GAIL DONOVAN
ART BY: NORMAN NODEL

WE'VE DELIVERED ALL OUR PRETZELS TO THE DELIS, AND THE DELI OWNERS HAVE PAID US. NOW, WE'D BETTER DEPOSIT THE MONEY IN OUR CHECKING ACCOUNT.

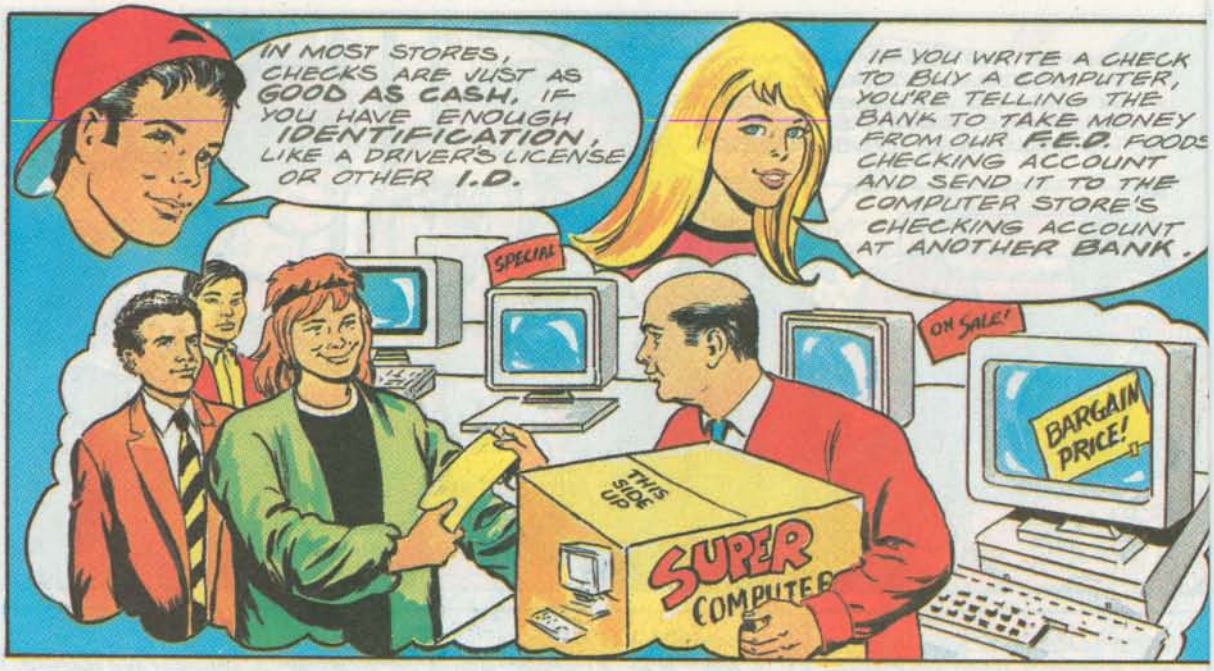
NO WAY. LOOK AT THAT LINE. LETS TAKE THE MONEY BACK TO THE FACTORY AND PUT IT IN THE VAULT.

THAT DOESN'T SOUND TOO SAFE, DENNY. WHAT IF SOMEONE BREAKS INTO OUR BUILDING?

OR STOPS US ON THE WAY BACK?


NO, WE NEED A SAFE PLACE TO STASH OUR CASH. IT'S WORTH THE WAIT.
EVERYONE LOOKS SO BUSY. WHAT DO THEY DO HERE ALL DAY?
WE'RE GOING TO HAVE TO GET YOU OFF THE FACTORY FLOOR MORE OFTEN, DENNY. YOU ACT AS THOUGH YOU'VE NEVER SEEN THE INSIDE OF A BANK BEFORE.
TO BE HONEST, I DON'T EVEN HAVE A CHECKING ACCOUNT. I'M JUST THE CHEF. YOU AND EVELYN ALWAYS TAKE CARE OF THE BUSINESS SIDE OF OUR F.E.D. FOODS OPERATION.
HAVE YOU EVER CONSIDERED OPENING A CHECKING ACCOUNT? THERE REALLY ARE A LOT OF ADVANTAGES, INCLUDING SAFETY AND CONVENIENCE.
I LIKE PAYING IN CASH. WHENEVER I NEED TO PAY A BILL BY MAIL, I GET A MONEY ORDER AT THE CORNER STORE.
WHILE WE'RE WAITING TO MAKE OUR DEPOSIT, YOU SHOULD TALK TO MR. BANKS. HE OPENED OUR F.E.D. FOODS CHECKING ACCOUNT FOR US AND HE CAN TELL YOU ALL ABOUT BANKING. MR. BANKS, LET ME INTRODUCE YOU TO OUR THIRD PARTNER, DENNY.

WELCOME TO THE BANK, DENNY. THIS IS A COMMERCIAL BANK, WHICH MEANS WE TAKE DEPOSITS AND MAKE LOANS TO INDIVIDUALS AND BUSINESSES.
THERE ARE ALSO SAVINGS AND LOANS AND MUTUAL SAVINGS BANKS THAT TAKE DEPOSITS AND MAKE LOANS PRIMARILY FOR HOME BUILDING AND MORTGAGES, AND CREDIT UNIONS THAT PROVIDE CONSUMER LOANS FOR THEIR MEMBERS.
SINCE ALL THESE PLACES ACCEPT DEPOSITS, THEY'RE KNOWN AS "DEPOSITORY INSTITUTIONS." BUT MOST PEOPLE THINK OF THEM AS BANKS, SO WE'LL JUST CALL THEM BANKS.
THE CHECKING ACCOUNT YOUR COMPANY OPENED HERE IS JUST ONE OF THE SERVICES WE OFFER.
YOU SEE, DENNY, WITH OUR F.E.D. FOODS ACCOUNT WE CAN WRITE AS MANY CHECKS AS WE'D LIKE TO PAY OUR BILLS WITHOUT HAVING TO LEAVE THE OFFICE TO GET A STACK OF MONEY ORDERS. PLUS, WE CAN USE A CHECK TO BUY SOMETHING IN A STORE, SUCH AS THE NEW COMPUTER WE WANT FOR THE OFFICE.
F.E.D. FOODS


IN MOST STORES, CHECKS ARE JUST AS GOOD AS CASH, IF YOU HAVE ENOUGH IDENTIFICATION, LIKE A DRIVER'S LICENSE OR OTHER I.D.
IF YOU WRITE A CHECK TO BUY A COMPUTER, YOU'RE TELLING THE BANK TO TAKE MONEY FROM OUR F.E.D. FOODS CHECKING ACCOUNT AND SEND IT TO THE COMPUTER STORE'S CHECKING ACCOUNT AT ANOTHER BANK.
SPECIAL
ON SALE!
BARGAIN PRICE!
THIS SIDE UP
SUPER COMPUTER

BUSINESSES AND INDIVIDUALS WRITE MORE THAN 50 BILLION CHECKS EACH YEAR IN THE UNITED STATES. THAT'S AN AVERAGE OF 137 MILLION CHECKS EACH AND EVERY DAY.

HEY, BUT DON'T FORGET, WE HAVE TO HAVE MONEY IN OUR ACCOUNT BEFORE YOU WRITE A CHECK. IF WE DON'T, WE'LL HAVE WHAT IS CALLED AN OVERDRAFT.

THAT MEANS THE CHECK WILL BE WORTHLESS AND "BOUNCE," AND THE BANK WILL CHARGE US A PENALTY.
YOU HAVE TO BE RESPONSIBLE IF YOU'RE GOING TO USE A CHECKING ACCOUNT.

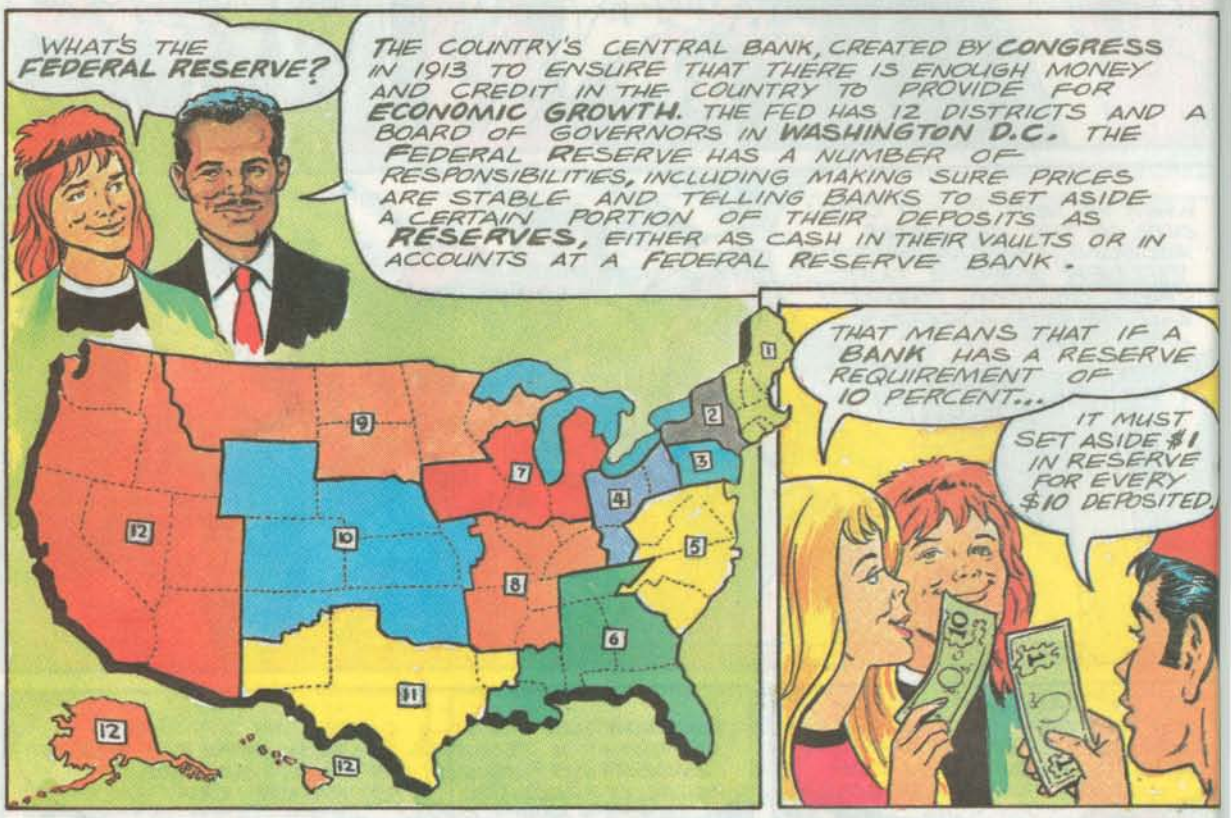
AND THE OWNER OF THE COMPUTER STORE WILL BE UNHAPPY WHEN HE FINDS OUT WE DON'T HAVE ENOUGH MONEY IN OUR ACCOUNT TO COVER THE CHECK.
YOUR CHECK WAS BAD, DENNY. BRING BACK THAT COMPUTER!
BANG
F.E.D. FOODS
BANG BANG
I BET HIS BARK IS WORSE THAN HIS "BYTE." GET IT?
NO, DENNY, THIS IS SERIOUS BUSINESS. WHEN PEOPLE WRITE BAD CHECKS, SOMETIMES THEY GO TO JAIL.

WHEN WE NEED TO GET CASH OUT OF THE CHECKING ACCOUNT, WE CAN GIVE THE TELLER A FORM THAT SAYS TO TAKE MONEY OUT OF OUR ACCOUNT AND GIVE IT TO US.

OR WE CAN GET MONEY OUT OF OUR ACCOUNT AT AN AUTOMATED TELLER MACHINE (ATM), EVEN WHEN THE BANK IS CLOSED.
TELLER
INSERT CARD

WHETHER YOU CASH A CHECK OR WITHDRAW MONEY AT A TELLER'S WINDOW OR ATM, YOU'RE CONVERTING CHECKING AND SAVINGS ACCOUNT DOLLARS INTO PAPER CURRENCY AND COIN.
BOY, NICK, IT FEELS GOOD TO GET OUT OF THAT STUFFY ACCOUNT.
AT LEAST I CAN REST IN THE VAULT, BILL. WHEN I'M OUTSIDE THE BANK, I ALWAYS FEEL TOTALLY SPENT.
TELLER

WHERE DO YOU KEEP ALL THE MONEY YOUR CUSTOMERS DEPOSIT? IN YOUR VAULT?
NO. WE LEND IT TO INDIVIDUALS AND BUSINESSES, EXCEPT FOR THE AMOUNT WE'RE REQUIRED BY THE FEDERAL RESERVE TO SET ASIDE AS RESERVES.


WHAT'S THE FEDERAL RESERVE?
THE COUNTRY'S CENTRAL BANK, CREATED BY CONGRESS IN 1913 TO ENSURE THAT THERE IS ENOUGH MONEY AND CREDIT IN THE COUNTRY TO PROVIDE FOR ECONOMIC GROWTH. THE FED HAS 12 DISTRICTS AND A BOARD OF GOVERNORS IN WASHINGTON D.C. THE FEDERAL RESERVE HAS A NUMBER OF RESPONSIBILITIES, INCLUDING MAKING SURE PRICES ARE STABLE AND TELLING BANKS TO SET ASIDE A CERTAIN PORTION OF THEIR DEPOSITS AS RESERVES, EITHER AS CASH IN THEIR VAULTS OR IN ACCOUNTS AT A FEDERAL RESERVE BANK.
1
2
3
4
5
6
7
8
9
10
11
12
12
12
THAT MEANS THAT IF A BANK HAS A RESERVE REQUIREMENT OF 10 PERCENT...
IT MUST SET ASIDE $1 IN RESERVE FOR EVERY $10 DEPOSITED.

RIGHT. LET'S SAY YOU PAY YOUR LANDLORD $5,000 A MONTH FOR YOUR FACTORY SPACE AND YOUR LANDLORD DEPOSITS YOUR CHECK IN HIS BANK ACROSS THE STREET.
CORNER BANK
PIZZA
$5,000 CHECK
PIZZA PARLOR
BOOKS
BANK

A 10 PERCENT RESERVE REQUIREMENT MEANS YOUR LANDLORD'S BANK COULD LEND UP TO 90 PERCENT OF THE $5,000, OR $4,500, TO THE OWNER OF THE PIZZA PARLOR NEXT DOOR SO HE CAN PAY FOR HIS NEW KITCHEN.
SOUNDS EASY AS PIE.
THE CORNER BANK
$4,500 CHECK

THE PIZZA PARLOR OWNER WILL GIVE THE CONSTRUCTION COMPANY A $4,500 CHECK, AND THE HEAD OF THE CONSTRUCTION COMPANY WILL DEPOSIT IT IN HIS BANK DOWN THE STREET.
BOOKS
BANK

WITH A 10 PERCENT RESERVE REQUIREMENT, THE CONSTRUCTION COMPANY'S BANK DOWN THE STREET COULD LEND UP TO 90 PERCENT OF THE $4,500, OR $4,050, TO THE OWNER OF THE MOVIE THEATER ACROSS THE STREET.
BANK
$4,050 CHECK

THE OWNER OF THE MOVIE THEATER WILL DEPOSIT THE $4,050 CHECK IN THIS BANK. AND, WITH A 10 PERCENT RESERVE REQUIREMENT, WE CAN LEND UP TO 90 PERCENT OF $4,050, OR $3,645, TO THE OWNER OF THE BOOK STORE SO SHE CAN BUY NEW BOOKS.

WITH AN ORIGINAL DEPOSIT OF $5,000 AND JUST THREE TRANSACTIONS, THREE BANKS GOT $13,550 IN **NEW DEPOSITS** AND MADE $12,195 IN LOANS. A LOT OF MONEY IS CREATED WHEN THE BANKS, CREDIT UNIONS, AND SAVINGS AND LOANS IN THE **UNITED STATES** GET INVOLVED.

BANK

CREDIT UNION

SAVINGS AND LOAN

BANK

IF SO **MUCH** OF THE MONEY DEPOSITED GETS **LENT OUT**, HOW DO WE KNOW THAT THE BANK WILL BE ABLE TO GIVE US OUR MONEY BACK WHEN WE WANT IT?

BANKS TRY TO MAKE **SAFE** LOANS, BUT, OF COURSE, THERE'S ALWAYS **RISK.** BANKS HAVE **CAPITAL** TO PROTECT THEMSELVES AGAINST LOSS, AND FEDERAL AND STATE REGULATORS EXAMINE BANKS TO MAKE SURE THEY ARE ENGAGING IN **SAFE** AND SOUND PRACTICES.

CHIEF, I'M **NOT** GETTING A **PULSE**.

I KNEW IT WAS **SICK** WHEN WE EXAMINED IT LAST YEAR. I'M GOING TO RECOMMEND AN INFUSION OF CAPITAL.

BANK

PLUS, DEPOSITS ARE **INSURED** BY THE **FEDERAL DEPOSIT INSURANCE CORP.**, AN AGENCY OF THE **GOVERNMENT**.

WHAT SHOULD WE DO IF WE WANT TO SET SOME MONEY ASIDE SO WE CAN START PRODUCING **OTHER** SNACKS BESIDES **PRETZELS**?

THE BANK **DIDN'T SURVIVE**. BUT DON'T PANIC, THE DEPOSITS WERE **INSURED** BY THE **FEDERAL DEPOSIT INSURANCE CORP.**, SO EACH DEPOSITOR WILL GET HIS OR HER MONEY BACK, UP TO **$100,000**.

WHAT WAS THE **CAUSE** OF **DEATH**? **CHILLS** FROM TOO MANY **OVERDRAFTS**?

THAT'S A **GOOD** QUESTION, FRANCISCO. WHILE YOU'RE **HERE**, YOU MAY WANT TO OPEN UP A SAVINGS ACCOUNT OR A CHECKING ACCOUNT THAT **PAYS INTEREST**.

PASSBOOK SAVINGS	EARN COMPETITIVE MARKET RATES
MINIMUM DEPOSIT	$1
INTEREST COMPOUNDED	QUARTERLY
MINIMUM BALANCE TO EARN INTEREST	$500
CHECKING WITH INTEREST	$5,000 MONTHLY BALANCE

THE SAVINGS ACCOUNTS RANGE FROM **PASSBOOK SAVINGS** ACCOUNTS THAT ALLOW FREQUENT WITHDRAWALS BUT PAY RELATIVELY **LOW RATES**, TO **CERTIFICATE OF DEPOSIT** (CD) ACCOUNTS THAT PAY HIGHER RATES BUT TIE UP YOUR MONEY FOR AS LITTLE AS SEVEN DAYS OR AS LONG AS 10 YEARS.

I'M HEADING TO THE BEACH FOR THE WEEKEND, WANT TO COME?

SOUNDS LIKE **FUN**, BUT I HAVE TO PASS. I'M GOING TO BE TIED UP FOR THE NEXT 10 YEARS.

CD

CD

OR YOU MAY PREFER AN INTEREST-BEARING CHECKING ACCOUNT, SUCH AS A **NEGOTIABLE ORDER OF WITHDRAWAL** (**NOW**) ACCOUNT. **NOW** ACCOUNTS ALLOW UNLIMITED CHECK WRITING BUT USUALLY REQUIRE A MINIMUM BALANCE IN ORDER TO EARN INTEREST. BANKS ALSO OFFER **MONEY MARKET DEPOSIT** ACCOUNTS (MMDAs) WHICH OFFER LIMITED CHECK WRITING AND OFTEN REQUIRE A MINIMUM AVERAGE BALANCE TO AVOID MONTHLY CHARGES.

I'M NOT SURE WE CAN MAINTAIN A MINIMUM BALANCE RIGHT NOW, SO I THINK WE SHOULD START OFF WITH A **REGULAR** SAVINGS ACCOUNT. WE'LL STILL EARN INTEREST, WON'T WE?

YOU CAN **BANK ON IT**, EVELYN, AND YOU'LL EARN INTEREST BOTH ON THE ORIGINAL AMOUNT YOU DEPOSIT IN THE ACCOUNT AND ON ANY INTEREST YOU'VE ALREADY EARNED AND LEFT IN THE ACCOUNT. THAT'S CALLED **COMPOUND INTEREST**.

GROWTH of NOW ACCOUNTS

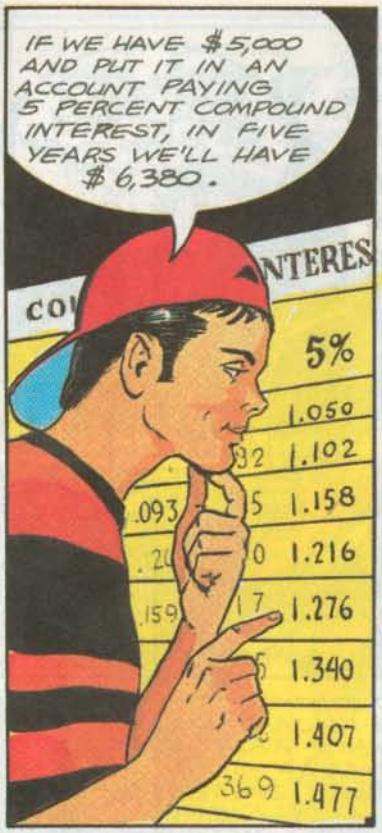
BILLIONS
$500
$400
$300
$200
$100
0

1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992

ACCOUNT	INTEREST
NOW ACCOUNT	PAID WITH AVERAGE OF $3000 BALANCE
MMDA	COMPETITIVE MARKET RATES ON BALANCES $2,500-$10,000 $10,000-$25,000 $25,000 AND OVER

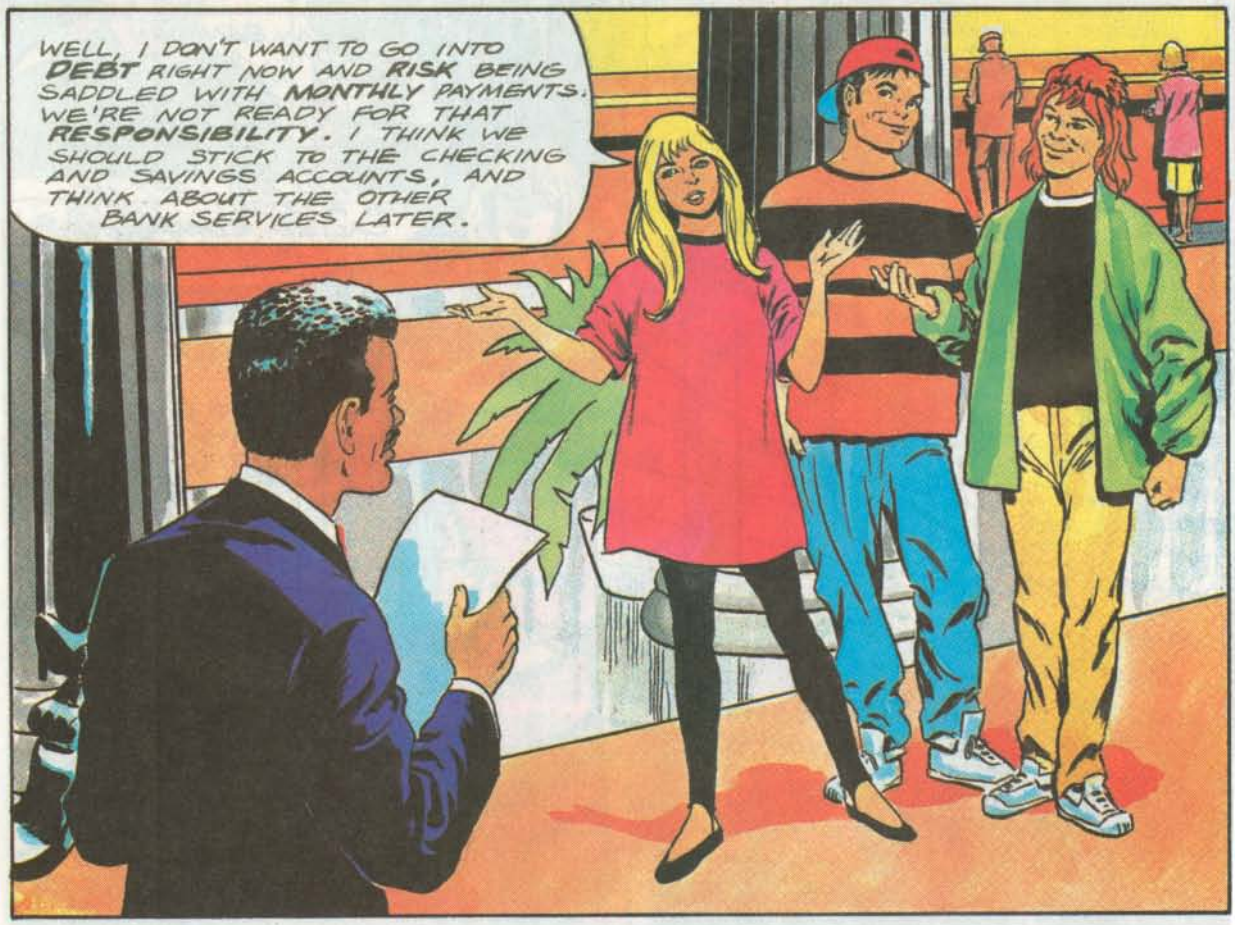
COMPOUND INTEREST TABLE ON $1

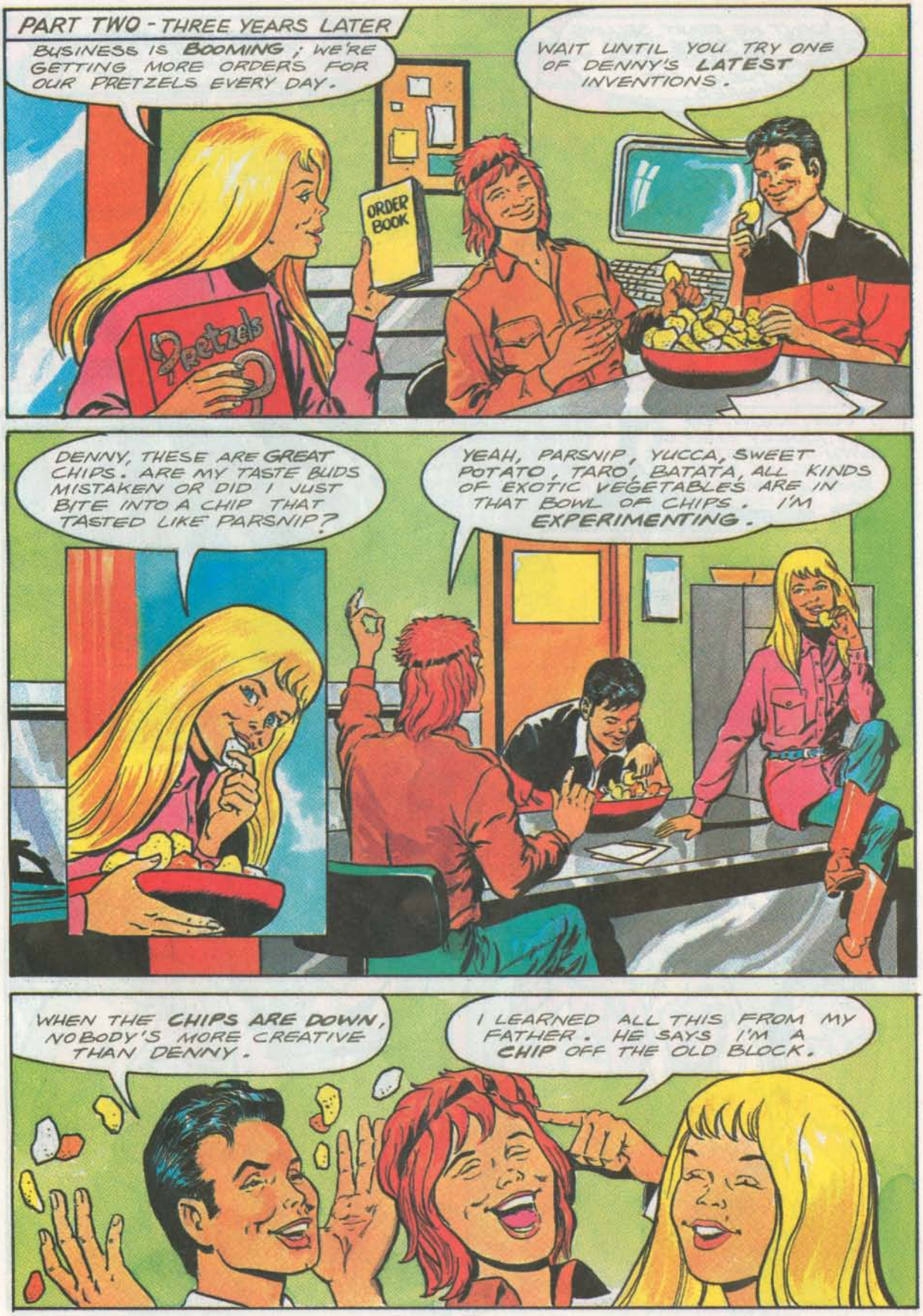
PERIOD YEARS	1%	2%	3%	4%	5%	6%	7%	8%	9%
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									


IF WE HAVE $5,000 AND PUT IT IN AN ACCOUNT PAYING 5 PERCENT COMPOUND INTEREST, IN FIVE YEARS WE'LL HAVE $6,380.
5%
1.050
1.102
1.158
1.216
1.276
1.340
1.407
1.477

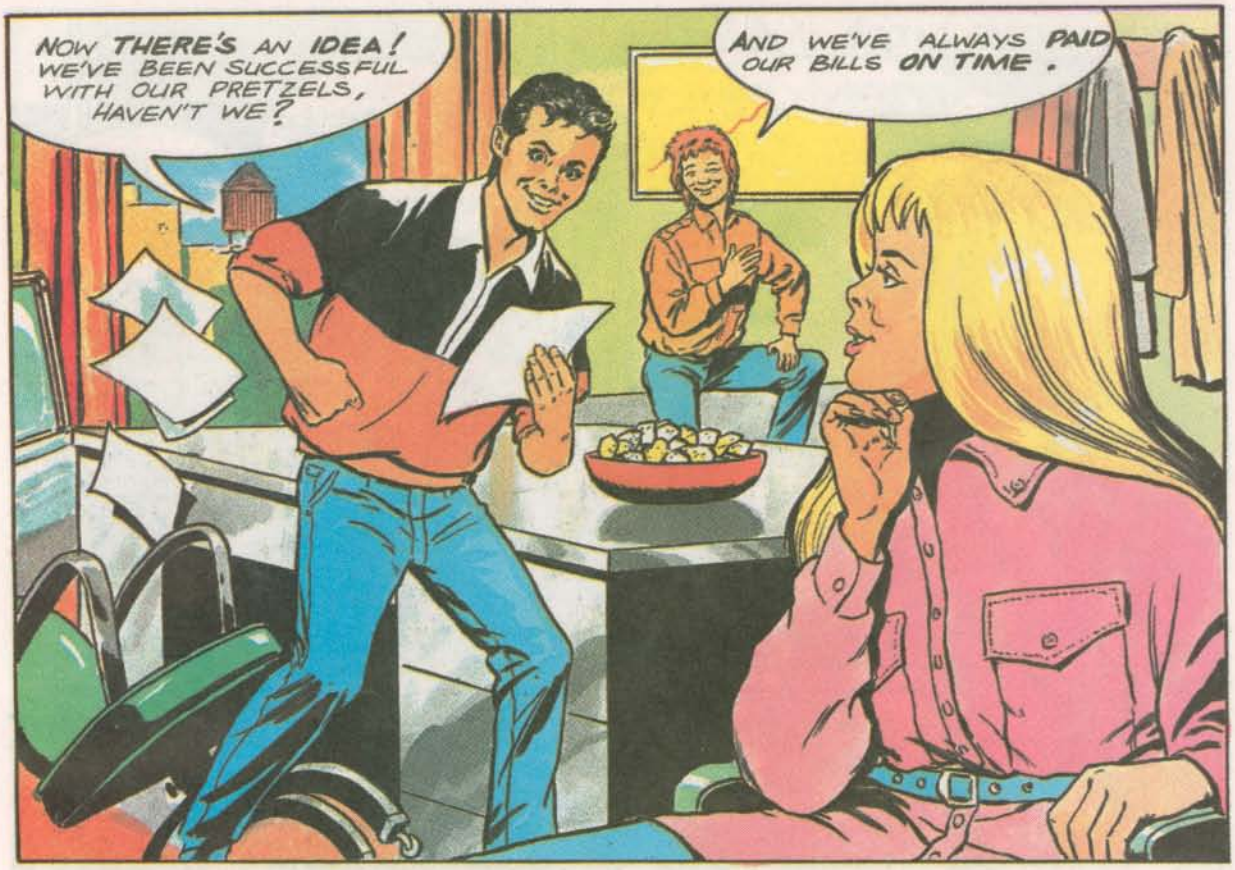
MANY BANKS ALSO ISSUE CREDIT CARDS, SO YOU CAN BUY THE COMPUTER YOU MENTIONED TODAY AND PAY FOR IT LATER.

WITH A CREDIT CARD, WE WOULDN'T HAVE TO PAY THE ENTIRE BILL AT ONCE. INSTEAD, WE COULD SPREAD OUR PAYMENTS OUT OVER MANY MONTHS AS LONG AS WE AGREE TO PAY THE BANK INTEREST. BUT THAT INTEREST ADDS TO OUR TOTAL COST OF OWNING THE COMPUTER. ON THE OTHER HAND, WE'D GET THE COMPUTER NOW. HMMM...
MAY
JUNE
JULY
AUGUST


WELL, I DON'T WANT TO GO INTO DEBT RIGHT NOW AND RISK BEING SADDLED WITH MONTHLY PAYMENTS. WE'RE NOT READY FOR THAT RESPONSIBILITY. I THINK WE SHOULD STICK TO THE CHECKING AND SAVINGS ACCOUNTS, AND THINK ABOUT THE OTHER BANK SERVICES LATER.


PART TWO - THREE YEARS LATER
BUSINESS IS BOOMING ; WE'RE GETTING MORE ORDERS FOR OUR PRETZELS EVERY DAY.
WAIT UNTIL YOU TRY ONE OF DENNY'S LATEST INVENTIONS.
ORDER BOOK
Pretzels
DENNY, THESE ARE GREAT CHIPS. ARE MY TASTE BUDS MISTAKEN OR DID I JUST BITE INTO A CHIP THAT TASTED LIKE PARSNIP?
YEAH, PARSNIP, YUCCA, SWEET POTATO, TARO, BATATA, ALL KINDS OF EXOTIC VEGETABLES ARE IN THAT BOWL OF CHIPS. I'M EXPERIMENTING.
WHEN THE CHIPS ARE DOWN, NOBODY'S MORE CREATIVE THAN DENNY.
I LEARNED ALL THIS FROM MY FATHER. HE SAYS I'M A CHIP OFF THE OLD BLOCK.

WHY DON'T WE START SELLING THESE? I'M SURE OUR CUSTOMERS WILL WANT TO BUY THEM FOR THEIR STORES.
DELICAT
IT WAS VERY WISE OF YOU TO START MAKING CHIPS.
CHIPS
I DON'T KNOW. WE CAN HARDLY KEEP UP WITH OUR PRETZEL ORDERS IN THIS SMALL FACTORY.
WE CAN ALWAYS RENT A LARGER BUILDING, BUY MORE EQUIPMENT AND HIRE MORE PEOPLE.
I'M NOT SURE WE HAVE ENOUGH MONEY IN OUR SAVINGS ACCOUNT TO PAY FOR AN EXPANSION.
HEY, DON'T LOOK AT ME. MY FAMILY DOESN'T HAVE ANY MORE MONEY TO LEND US.
YOU'RE RIGHT, DENNY. YOUR FOLKS HAVE ALREADY CHIPPED IN AS MUCH AS THEY CAN.
WHY NOT MAKE UP THE DIFFERENCE WITH A BANK LOAN?


NOW THERE'S AN IDEA! WE'VE BEEN SUCCESSFUL WITH OUR PRETZELS, HAVEN'T WE?
AND WE'VE ALWAYS PAID OUR BILLS ON TIME.

YOU SAID YOURSELF WE ALREADY HAVE SOME MONEY SET ASIDE FOR EXPANSION. MR. BANKS WILL LOVE OUR NEW IDEA.

I'LL FIGURE OUT HOW MUCH IT'LL COST TO EXPAND, MAKE COPIES OF OUR FINANCIAL STATEMENTS, AND WRITE A BUSINESS AND MARKETING PLAN. THEN WE'LL MAKE AN APPOINTMENT WITH MR. BANKS.

TWO MONTHS LATER...
GEE, DENNY YOU LOOK GREAT IN THE SUIT, BUT THE BIKE MESSED UP YOUR HAIR.
MAYBE I SHOULD HAVE STAYED AT THE FACTORY, I'M A LITTLE NERVOUS.
DON'T BE. BANKS ARE IN BUSINESS TO LEND MONEY.
BANKS TAKE THE MONEY PEOPLE AND BUSINESSES DEPOSIT AND LEND IT TO BUSINESSES LIKE OURS.
LOAN DIVISION
BUSINESS LO
$50000.
PAY TO THE ORDER OF F.E.D. FOO
DOLLARS
NATIONAL COMMERCIAL BANK
TRY SOME OF OUR GREAT NEW EXOTIC CHIPS, MR. BANKS. WE'D LIKE TO GET A LOAN TO EXPAND OUR BUSINESS AND START SELLING THEM.
MR. BANKS
HMMMM. THESE ARE GOOD, BUT BEFORE THE BANK CAN GIVE YOU A LOAN, I'M GOING TO HAVE TO ASK YOU TO FILL OUT AN APPLICATION, SO WE CAN DO A CREDIT CHECK.
AND, I'M GOING TO TAKE A LOOK AT YOUR FIVE Cs.
I'VE HEARD OF THE SEVEN SEAS, BUT NEVER THE FIVE SEAS. WHAT ARE THEY?

I'M NOT TALKING ABOUT BODIES OF WATER, I'M TALKING ABOUT THE LETTER C, AS IN CAPACITY TO SELL ENOUGH CHIPS TO REPAY THE LOAN.

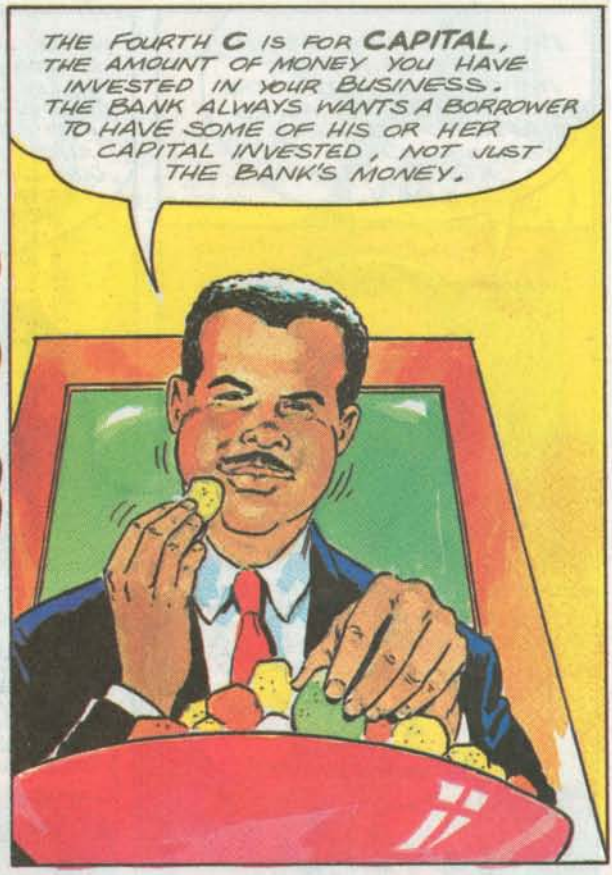
WE'VE ALWAYS MADE ENOUGH MONEY SELLING PRETZELS TO COVER OUR COSTS AND SAVE MONEY, AND WE THINK OUR CHIPS WILL BE EVEN MORE POPULAR.
MY CUSTOMERS LOVE TO PARTY AND THEY'LL HAVE A REAL F.E.D. BASH WITH YOUR PRETZELS AND CHIPS.

THE SECOND C IS FOR YOUR CHARACTER.
YOU WON'T FIND A BIGGER CHARACTER THAN DENNY!

THAT'S NOT WHAT I MEAN. I WANT TO KNOW IF YOU HAVE A CLEAN CREDIT HISTORY.
THE CLEANEST. WE'VE ALWAYS PAID OUR BILLS ON TIME.

THE THIRD C IS FOR COLLATERAL. WHAT CAN WE USE TO GUARANTEE THE LOAN IN CASE YOU'RE UNABLE TO REPAY?
WELL, YOU COULD ALWAYS CASH IN OUR CHIPS.
SERIOUSLY, WE'RE GOING TO USE THE MONEY TO BUY NEW EQUIPMENT TO MANUFACTURE THE CHIPS.

IN THAT CASE, WE WOULD USE THE EQUIPMENT AS YOUR COLLATERAL AND IT COULD BE TAKEN OVER BY THE BANK IF YOU FAILED TO REPAY US. REMEMBER, WHEN YOU TAKE OUT A LOAN, IT'S A LEGAL CONTRACT.
THIS WAY, BOYS WE'RE GOING TO HAVE TO AUCTION IT OFF.

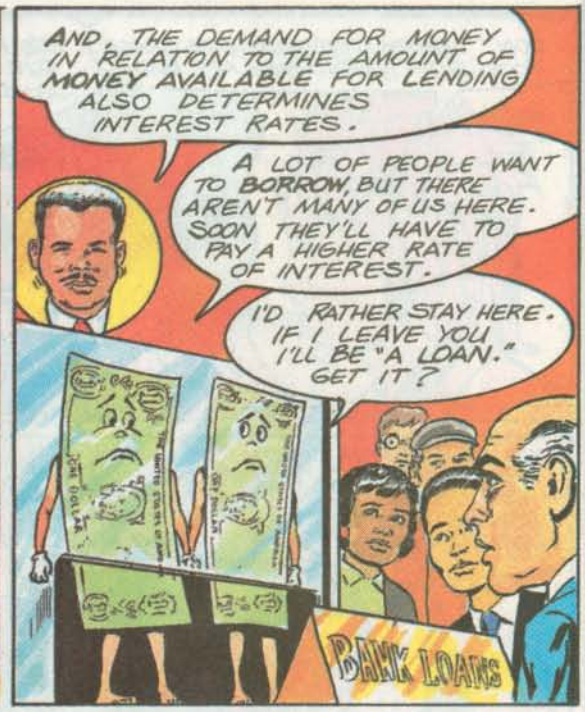

THE FOURTH C IS FOR CAPITAL, THE AMOUNT OF MONEY YOU HAVE INVESTED IN YOUR BUSINESS. THE BANK ALWAYS WANTS A BORROWER TO HAVE SOME OF HIS OR HER CAPITAL INVESTED, NOT JUST THE BANK'S MONEY.

WE OWN ALL OUR PRETZEL-MAKING EQUIPMENT AND WE'VE SAVED ENOUGH TO PAY FOR HALF THE COST OF THE CHIP-MAKING MACHINE.
THAT SOUNDS REASONABLE

THE FIFTH C IS FOR CONDITIONS, OR ECONOMIC FACTORS THAT MIGHT AFFECT YOUR BUSINESS.
I'D LOVE TO PAY OFF THE LOAN, MR. BANKS, BUT I CAN'T BECAUSE OF THIS DARN RECESSION. LOTS OF PEOPLE ARE OUT OF WORK OR FEEL SQUEEZED FINANCIALLY.
STAGFLATION

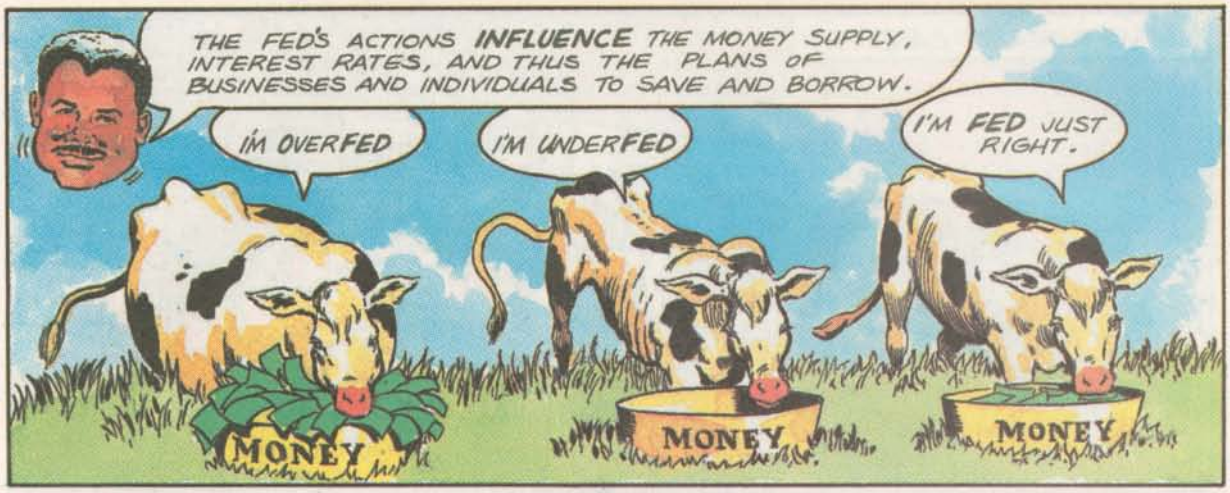
DON'T WORRY, EVERYBODY EATS SNACK FOOD. EVEN WHEN TIMES ARE BAD.
IT'S HARD ENOUGH BEING OUT OF WORK, BUT I COULDN'T LIVE WITHOUT MY SNACKS.
SAME HERE. EVEN WITHOUT ANY INCOME I STILL FEEL AS THOUGH I'M IN THE CHIPS.
UNEMPLOYMENT LINE STARTS HERE
CHIPS
YOU HAVEN'T MENTIONED THE INTEREST RATE FOR OUR LOAN. HOW WOULD YOU DETERMINE IT?
AS A GENERAL RULE, THE GREATER THE RISK, THE HIGHER THE INTEREST RATE.
INTEREST RATE
O SAFE IFFY SNOW SKIING RESORT IN ORLANDO FLORI
SO YOU WANT TO OPEN A SNOW SKIING RESORT IN ORLANDO, FLORIDA? IT'S ORIGINAL BUT IT SOUNDS KIND OF CHANCY.
IF MR. BANKS LENDS THAT GUY MONEY IT WILL BE ALL DOWNHILL FROM THERE.
ALSO, A SHORT-TERM LOAN, DUE IN LESS THAN A YEAR, HAS A LOWER INTEREST RATE BECAUSE IT'S LESS RISKY THAN A LONG-TERM LOAN DUE IN, SAY, 10 YEARS.
I NEED A LOAN TO BUY MATERIALS SO I CAN MAKE MORE TOYS. I'LL PAY YOU BACK IN 60 DAYS WHEN TOYS R SWELL PAYS ME FOR THIS SHIPMENT.
NO PROBLEM.

LONG-TERM LOANS ARE A BIGGER GAMBLE BECAUSE A LOT CAN CHANGE IN 10 YEARS.
I GUESS IT WAS A MISTAKE BORROWING SO MUCH MONEY 10 YEARS AGO TO START MAKING RECORD PLAYERS.
HOW COULD WE HAVE KNOWN THEY WERE GOING TO INVENT COMPACT DISCS?
RECORD PLAYE

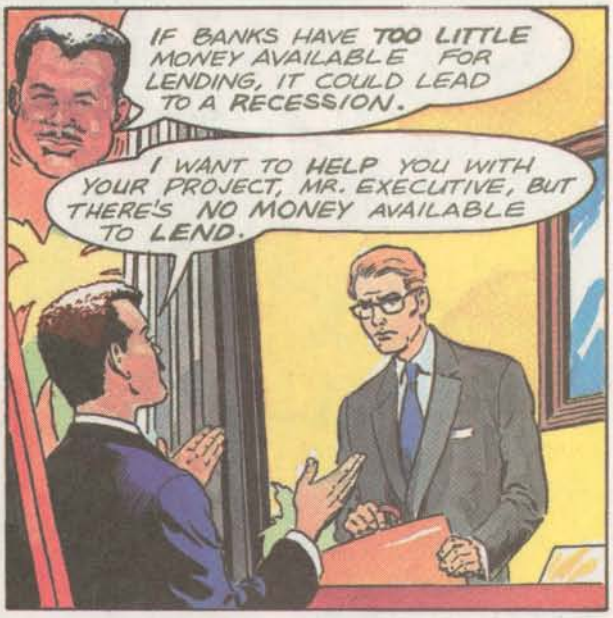

AND, THE DEMAND FOR MONEY IN RELATION TO THE AMOUNT OF MONEY AVAILABLE FOR LENDING ALSO DETERMINES INTEREST RATES.
A LOT OF PEOPLE WANT TO BORROW, BUT THERE AREN'T MANY OF US HERE. SOON THEY'LL HAVE TO PAY A HIGHER RATE OF INTEREST.
I'D RATHER STAY HERE. IF I LEAVE YOU I'LL BE "A LOAN." GET IT?
BANK LOANS

WHO DETERMINES THE AMOUNT OF MONEY BANKS HAVE TO LEND?
WELL, TO SOME EXTENT, IT'S THE PEOPLE AND BUSINESSES THAT DEPOSIT THE MONEY THAT THE BANK LENDS OUT. AND TO SOME EXTENT, IT'S THE BORROWERS WHOSE LOANS TAKE MONEY OUT OF THE BANK.

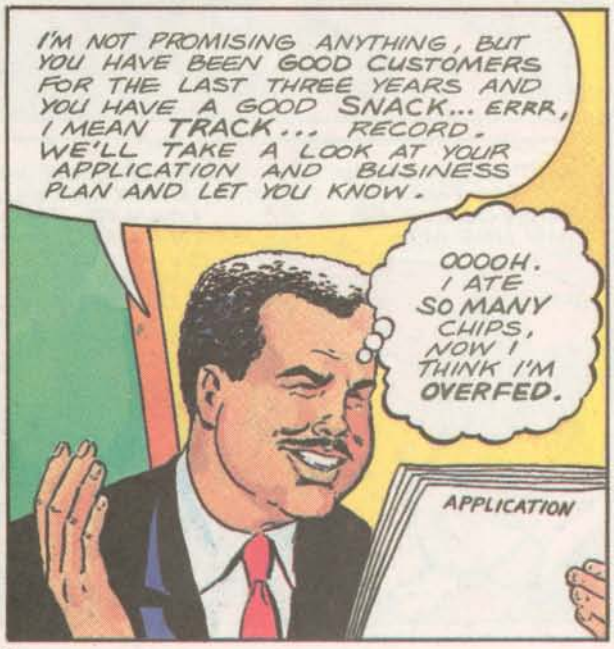
THE FEDERAL RESERVE ALSO PLAYS A ROLE BECAUSE IT SETS RESERVE REQUIREMENTS AND, AS A RESULT, DETERMINES THE SHARE OF THE DEPOSITS THAT CAN BE LENT OUT.
OH YEAH. YOU TOLD US ABOUT THE FEDERAL RESERVE THREE YEARS AGO.
THE FEDERAL RESERVE BOARD OF GOVERNORS WASHINGTON D.C.


THE FED'S ACTIONS INFLUENCE THE MONEY SUPPLY, INTEREST RATES, AND THUS THE PLANS OF BUSINESSES AND INDIVIDUALS TO SAVE AND BORROW.
I'M OVERFED
I'M UNDERFED
I'M FED JUST RIGHT.
MONEY
MONEY
MONEY

THE FEDERAL RESERVE TRIES TO MAINTAIN A BALANCE BECAUSE IF THE AMOUNT OF MONEY BANKS HAVE TO LEND INCREASES TOO RAPIDLY IT COULD LEAD TO INFLATION.
PRICES ARE RISING SO FAST, I NEED ALL OF YOU TO BUY A LOAF OF BREAD.


IF BANKS HAVE TOO LITTLE MONEY AVAILABLE FOR LENDING, IT COULD LEAD TO A RECESSION.
I WANT TO HELP YOU WITH YOUR PROJECT, MR. EXECUTIVE, BUT THERE'S NO MONEY AVAILABLE TO LEND.

WHAT ABOUT IT, MR BANKS? WILL YOU HELP OUR BUSINESS BY RECOMMENDING OUR LOAN?
YOU MUST THINK OUR PRODUCT IS PRETTY GOOD. YOU ATE THIS WHOLE BOWL AND DIDN'T EVEN SET ASIDE ANY RESERVES.


I'M NOT PROMISING ANYTHING, BUT YOU HAVE BEEN GOOD CUSTOMERS FOR THE LAST THREE YEARS AND YOU HAVE A GOOD SNACK... ERRR, I MEAN TRACK... RECORD. WE'LL TAKE A LOOK AT YOUR APPLICATION AND BUSINESS PLAN AND LET YOU KNOW.
OOOOH. I ATE SO MANY CHIPS, NOW I THINK I'M OVERFED.
APPLICATION

TWENTY YEARS LATER...
F.E.D. Foods INC.
SERVING PRETZELS, CHIPS, AND SNACK FOOD TO THE WORLD
F.E.D. Foods INC.
A LOT HAS CHANGED SINCE THAT DAY WHEN MR. BANKS GAVE US OUR FIRST LOAN.
IT SURE HAS. DENNY LOST HIS HAIR, BOUGHT A CAR AND OPENED A CHECKING ACCOUNT. AND WE ALL STARTED WEARING SUITS TO WORK EVERYDAY.
CEO
BESIDES THAT, WE'RE ONE OF THE LARGEST SNACK PRODUCERS IN THE WORLD, AND WE EXPORT TO COUNTRIES ON FIVE CONTINENTS.
AND WE'RE GETTING CHARGED THE "PRIME" RATE ON OUR LOANS, THE INTEREST RATE BANKS CHARGE THEIR MOST CREDIT-WORTHY CUSTOMERS.
JUST THINK ABOUT ALL THE BANK SERVICES WE USE NOW.
REMEMBER WHEN THE BANK GAVE US THE LOAN TO BUY THAT CORN CHIP COMPANY? THE BANK HANDLED ALL THE DETAILS OF THE ACQUISITION.
TACO CHIPS

AND THE BANK HELPS US WITH ALL OUR **FOREIGN EXCHANGE TRANSACTIONS** IN THE COUNTRIES IN WHICH WE SELL SNACKS.

THAT'S RIGHT. WHEN THE **F.E.D.FOODS DISTRIBUTOR** IN FRANKFURT, GERMANY, PAYS US IN EUROS, THE BANK'S FRANKFURT OFFICE **CONVERTS** THE **EUROS** TO **DOLLARS** AND **TRANSFERS** THE MONEY TO OUR ACCOUNT IN THE **UNITED STATES**.

F.E.D. Foods U.S. BANK

FRANKFURT OFFICE

F.E.D. FOODS

WE HAVE THE TYPE OF LOAN THAT LETS US BUY A WHOLE CROP OF VEGETABLES AND PAY THE BANK **AFTER** WE SELL OUR SNACKS.

F.E.D. Foods FACTORY

THROUGH OUR **COMPUTER LINK** TO THE BANK, WE CAN **TRANSFER FUNDS** ELECTRONICALLY FROM OUR ACCOUNT TO ACCOUNTS AT OTHER BANKS.

THAT WAY WE CAN TAKE **ADVANTAGE** OF INVESTMENT OPPORTUNITIES **QUICKLY**.

THE BANK DEPOSITS OUR EMPLOYEES' WAGES **ELECTRONICALLY** INTO THEIR ACCOUNTS AT OTHER BANKS, SO THEY DON'T HAVE TO STAND ON LINE TO DEPOSIT THEIR PAYCHECKS.

BANK BANK BANK BANK BANK BANK BANK

F.E.D. Foods BANK

THAT'S JUST A FEW OF THE SERVICES THE BANK HAS TO OFFER.

WHEW! AND TO THINK... IT ALL STARTED **23 YEARS AGO** WITH ONE CHECKING ACCOUNT AND A **PRETZEL RECIPE**.

PRETZEL RECIPE

CHECKING ACCOUNT

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